



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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REGULATORS WARN SENIORS TO BE ON LOOKOUT FOR FRAUD

PHOENIX – Unsteady stock markets, record low interest rates and rising health care costs are conspiring to create the ideal circumstances for senior investors to be approached by con artists, Arizona Corporation Commission Securities regulators warned today.

Commission Chairman Marc Spitzer alerted senior investors in Arizona to the dangers of investment fraud and urged retirees to take control of their financial health. “I’m deeply concerned that a perfect storm for investment fraud is brewing and Arizona’s seniors are most at risk,” said Spitzer.

“Although economists say the recession is over and recovery is well underway, many investors are still feeling the effects of the stock market collapse,” Spitzer explained. “With interest rates at 45-year-lows, and rising costs for medical insurance, prescription drugs and basic living expenses, con artists are going to use these opportunities to pry open the wallets of unsuspecting investors.”

State securities regulators say older investors are being targeted with increasingly complex investment scams involving unregistered securities, promissory notes, charitable gift annuities, viatical settlements, and Ponzi schemes – all promising inflated returns.

“Behind these schemes are opportunists who know that seniors and people on fixed incomes are being squeezed in the current financial environment,” Commissioner Jeff Hatch-Miller said. “Their products and pitches sound tempting to many seniors who’ve seen their retirement accounts dwindle in recent years – and who don’t have the

benefit of time to recoup their losses.”

For example, in May 2002 the Commission charged Richard Dean Carrington for defrauding over 600 investors, many of whom were seniors. He targeted retirees and managed to sell \$29 million in viatical¹ contracts to more than 600 investors. The Commission ordered Carrington to pay \$500,000 over a three-year period of time, pay a \$50,000 fine and turn over all remaining policies to a third-party escrow agent. The \$500,000 was to be used for the ongoing cost of insurance premiums, which the investors are now faced with keeping current. Carrington, who had been sanctioned by the Commission before, entered into this second consent order and initially made a \$50,000 restitution payment, but failed to make any additional payments.

Carrington was arrested outside his Scottsdale home on June 26, 2003 and charged with 14 criminal counts of theft and two counts of fraud schemes through the operation of his companies, Carrington Estate Planning Services and Carrington Investment Services.

Commissioner Mike Gleason – himself a resident of the Sun City West retirement community – urged seniors statewide not to be ashamed to admit that they have been victims of investment fraud. “Silence will only help a con artist lead another victim into the trap. Every day that financial fraud goes unreported is another day that criminals can steal retirement savings from seniors,” Gleason said.

“Common sense tells you that if something sounds too good to be true it almost always is. But you don’t have to rely on common sense alone,” Commissioner Jim Irvin said. “Investors are invited to contact our Securities Division for information on the registration and disciplinary history of a securities dealer, salesperson, investment adviser or representative. Investors can also check on the registration status of particular investments such as promissory notes, viaticals or other ‘exotic’ investments.”

The phone number for the Division is 602-542-4242 or toll free from outside the Maricopa County area at 1-

¹ Originating as a way to help the gravely ill pay their bills, viatical settlement contracts involve people selling the future death benefits of an insurance policy to investors. When the ill or elderly policyholder dies, the investors would receive the proceeds of the policy. But these types of contracts are high-risk, complex investments. One reason the investment is risky is that it is difficult to accurately predict when someone will die. Also, some policies are obtained fraudulently and the benefits may be denied by the issuing insurance companies.

877-811-3878.

“Another great information goldmine is our website,” Commissioner Bill Mundell explained. “My colleagues and I have made investor education a top priority. Our website features a wide variety of printable and downloadable educational materials to assist investors in learning about investments and protecting themselves from con artists.” (Learn more at www.ccsd.cc.state.az.us)

The North American Securities Administrators Association’s website also posts investor education materials in its Senior Investor Resource Center (www.nasaa.org). The Senior Investor Resource Center offers: a checklist of questions seniors can ask before making an investment decision; common sense solutions to protect your nest egg from investment fraud; information about the top frauds targeting seniors; contact information for securities regulators in North America; an investor fraud awareness quiz and links to a variety of investor education publications and programs to help retirees fight investment fraud.

The Commissioners also offered the following tips to help seniors protect their retirement assets.

- **Don’t be a courtesy victim.** Con artists will not hesitate to exploit your good manners. Save your good manners for friends and family members, not strangers looking for a quick buck!
- **Check out strangers touting strange deals.** Trusting strangers is a mistake everyone makes when it comes to their personal finances. Extensive background information on investment salespeople and firms is available from the Central Registration Depository (CRD). We are pleased to offer this information over the phone or by mail. Just call 602-542-4242 or 1-877-811-3878.
- **Always stay in charge of your money.** Beware of anyone who suggests putting your money into something you don’t understand or who urges that you leave everything in his or her hands.
- **Don’t judge a book by its cover.** Successful con artists sound and look extremely professional and have the ability to make even the flimsiest investment deal sound as safe and sound as putting money in the bank. The sound of a voice, particularly on the phone, has no bearing on the soundness of an investment opportunity.
- **Watch out for salespeople who prey on your fears.** Con artists know that you worry about outliving your savings. Fear can cloud your good judgment. An investment that is right for you will make sense because you understand it and feel comfortable with the risk involved.

- **Don't make a tragedy worse with rash financial decisions.** The death or hospitalization of a spouse brings many sad consequences – financial fraud shouldn't be one of them. If you find yourself suddenly in charge of your own finances, get the facts before you make any decisions. Arm yourself with information and your confidence will send con men running.
- **Monitor your investments and ask tough questions.** Don't compound the mistake of trusting an unscrupulous investment professional or outright con artist by failing to keep an eye on the progress of your investment. Insist on regular written and oral reports. Look for signs of excessive or unauthorized trading of your funds. And if you are stalled when you want to pull out your principal or profits from an investment, you have uncovered someone who wants to cheat you.
- **Don't let embarrassment or fear keep you from reporting investment fraud or abuse.** Con artists know that you might hesitate to report that you have been victimized in financial schemes out of embarrassment or fear. Con artists prey on your sensitivities and, in fact, count on these fears preventing or delaying the point at which authorities are notified of a scam. Every day that you delay reporting fraud is one more day that the con artist is spending your money and finding new victims.

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